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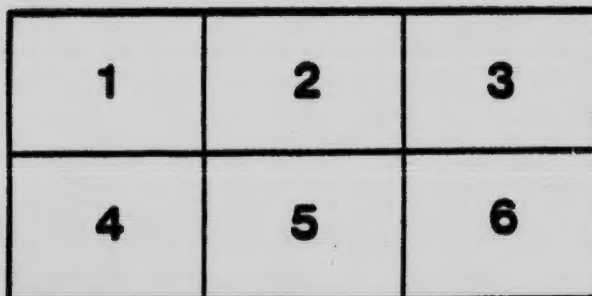
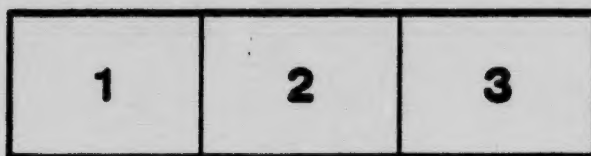
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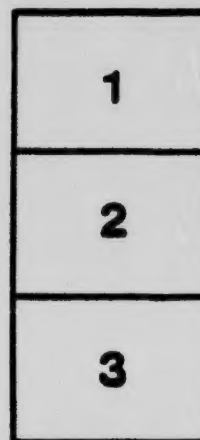
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The Dumping Clause

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EXPLANATORY NOTE

The articles bound together in
this booklet were written for
"Industrial Canada."

THE DUMPING CLAUSE

THE Dumping Clause of the Fielding Tariff Act of 1904 is a purely protectionist measure. Mr. Fielding in introducing it did not pretend that it was designed for any other purpose than to give protection to Canadian industries. There was no pretext that while it might incidentally protect Canadian industries, its chief object was to provide revenue. There was never introduced in any legislative body in the world a measure whose aim was more unqualifiedly protectionist. And yet if it were generally accepted as representing the views of protectionists it might do more harm to the cause than any measure ever devised by Canadian opponents of protection. A policy that causes continual annoyance to almost every business man in the country cannot be long maintained, and that is what the Dumping Clause is likely to do. The great majority of business men, whether

manufacturers or merchants, require to import some of the articles they use or sell. This is true in the most highly protected countries as well as in low tariff countries. Every business man, therefore, is interested in having a tariff law that can be easily understood and administered with fair and equal treatment for all importers. From the business man's standpoint it does not matter so much how high the duty is, if he knows beforehand exactly what he has to pay, and is sure that all his competitors must pay exactly the same as he does. The Dumping Law upsets all the calculations of the business man. With this system of protection in force he can seldom tell what duty he will have to pay on imported articles until the decision of the customs officer has been given. He cannot be sure that some rival merchant will not get better terms than he does. Not only will dishonest importers be able to evade the law, but honest merchants who have conscientiously given what they regarded as the true valuation will frequently be suspected of fraud. This system of

protection will prove so harrassing that if protectionists are held to be responsible for it there will be developed a hostile public sentiment which cannot be overcome for many years. Consequently, even those industries which are temporarily benefited by the Dumping Clause should use their influence to have reasonable specific duties substituted for it.

MERCHANTS AND THE DUMP- ING CLAUSE

The dumping clause as enacted will be a source of continual irritation to general merchants, especially those doing business in small towns and country places. It is impossible for the ordinary merchant to keep posted regarding the exact market price of every article in the country from which it is imported. He knows the prices at which he can buy in Canada, but he cannot tell whether the American commercial traveler is cutting prices below United States rates or not. The customs official in his town may decide that there has been a cut and call for payment of the

special dumping duty. But a merchant in a neighboring town may buy goods from the same traveler at the same price and escape payment of the special duty because the local customs official does not know the exact price in the United States. Neither merchant intends to violate the law, but one has an advantage over the other because the customs officials in the two towns value the goods differently. Prices are continually fluctuating, and it is inevitable that the valuations of different customs officials will vary widely. Then in cases where the prices in the foreign markets are well known, it will be easy for the foreign manufacturer to evade the dumping law by invoicing goods at the regular market price and giving customers a rebate or discount when payment is made. Some merchants will be too conscientious to evade the payment of the special duty in this way, but others will be less scrupulous, and the conscientious merchant will therefore do business at a disadvantage, and be unable to compete with his rival. How much better it would be to protect the

THE NEW WATCHDOG—No. 1



Sir Wilfrid to Manufacturer.—I am not ready to supply you with an Adequate Protection fire and burglar proof safe, but I think this watchdog will give you sufficient protection.

Manufacturer.—What is his name?

Sir Wilfrid.—Dumping Clause.

home producers by adequate specific duties on imports. With a system of specific duties in force every merchant would know exactly what duty he must pay on any imported article. The customs officials would be relieved from the difficult task of deciding the exact price of every article in the country where it was manufactured, and the same duty would be charged at every customs house in the country. Can any one doubt that such a system would be less embarrassing to the general merchant than the uncertain and harassing dumping law?

PULLED OUT HALF ITS TEETH

It has been supposed in some quarters that the Canadian Manufacturers Association was responsible for the Dumping Clause, but in fact the Association never favored this substitute for a system of adequate protection. It is understood that it was suggested by a large manufacturing company, which, after failing to induce the Government to increase the regular tariff so as to give protection against unfair foreign competition, asked that when foreign

THE NEW WATCHDOG—No. 2



Mr. Fielding to Mr. Sifton.—You need not be afraid of him, Clifford. I have pulled out half his teeth. (See page 10).

goods were sold to Canadians below the market price in the country of production the difference between the fair market price and the slaughter price should be added to the duties. Mr. Fielding accepted the proposal with the limitation that in general practice the special duties shall not exceed 50 per cent. of the ordinary duties, and that in the case of certain specified items in the iron schedule they shall not exceed 15 per cent. ad valorem.

When the burglar reproached his friend, the maid-servant, because she had failed to poison the watch dog as she had promised to do, she replied: "I was afraid of being dismissed if I killed it, but *I pulled out half its teeth.*"

Hon. Mr. Fielding can make the same excuse when his free trade friends reproach him for adopting the Dumping Clause.

The difference between the plan Mr. Fielding was asked to adopt and the one he did adopt may be illustrated by the following examples. A Canadian imports from the United States an article

of which the fair market value in that country is \$100, but it is sold to him at the slaughter price of \$70. The regular duty is 30 per cent. If the plan Mr. Fielding was asked to adopt were in force the importer would have to pay:

To the manufacturer in the States.	\$ 70
Ordinary duty	30
Special duty	30

Total\$130

But under the system adopted by the Government and now in force the importer would pay:

To the manufacturer in the States.	\$ 70
Ordinary duty	30
Special duty	15

Total\$115

If the article had been bought at the regular market price he would have paid:

To the manufacturer in the States.	\$100
Ordinary duty	30

Total\$130

It will be seen that the plan which Mr. Fielding was asked to adopt would have made the cost of slaughtered goods to the importer precisely the same as if he had paid the full market price to the manufacturer in the United States, but under the arrangement now in force the importer who buys at 30 per cent. below market price an article on which the duty is 30 per cent. gets an advantage of 15 per cent. if the dumping is discovered. If it is not discovered he gets an advantage of 30 per cent., having to pay:

To the manufacturer in the States.	\$ 70
Duty at rate of 30 per cent. on valuation of \$70	21
Total	\$ 91

Mr. Fielding has assumed that the average cut in price in dumping does not exceed 15 per cent. But Sir Wilfrid Laurier, speaking in the House of Commons on June 14, said:

"A few months ago I was shown an invoice from Detroit in which an article was set down at a certain price for the

American consumer, and at another price, at least 30 per cent. below for the Canadian consumer. This is the regular practice, and I know there are business men in this House who are aware that this is the regular practice."

Now it is evident that Mr. Fielding's dumping clause would not prevent dumping in the case mentioned by Sir Wilfrid Laurier. In the course of the same speech Sir Wilfrid said:

"Sir, we have a tariff against the United States varying from 25 per cent. to 35 per cent., an average of 28 per cent."

Now let us assume that the duty in the case referred to by Sir Wilfrid Laurier was 28 per cent., and the price of the article in the United States \$100. There was a reduction of 30 per cent. to the Canadian importer, who would have to pay altogether under the new law:

To the Detroit manufacturer	\$ 70
Ordinary duty	28
Special duty	14
Total	\$112

That is, the article would cost the importer no more than if he had paid the market price in Detroit and twelve per cent. duty.

In case the customs officer was not well posted regarding the Detroit price of the article in question he might allow the valuation to pass, and only exact the ordinary duty, in which case the importer would pay:

To the Detroit manufacturer....	\$70.00
Duty at rate of 28 per cent. on valuation of \$70	19.60
Total	\$89.60

Thus there will still be great temptations to buy slaughtered goods whenever the difference between the cut price and the market price is equal to more than half the regular duty, for at the worst the importer gets some advantage by the purchase of slaughtered goods, and if he can escape detection he has a great advantage. It will be very difficult to prove that any fraud was intended. Indeed, in many cases the importers themselves may be ignorant of the fact that

they are buying at a price below the regular market price in the country of production. For instance, sales of United States goods in Canada are largely made by commercial travellers. The purchasers do not usually make an investigation to ascertain the exact market price in the United States at the time. They merely compare the price at which goods are offered to them with the prices prevailing in Canada and make the best bargain possible. Commercial travellers from the United States will not under the new law take pains to tell their customers that they are cutting prices below the United States rate in order to secure business. Moreover, it will be exceedingly easy for the importer and the foreign manufacturer to combine to deceive the Government by false invoices. What is to prevent a manufacturer in the United States from selling to a Canadian at a slaughter price and invoicing goods at the regular market price if a private understanding exists between the importer and the foreign manufacturer? It will be almost impossible to detect

such frauds. There is a law providing for severe penalties against fraudulent undervaluation, and it is exceedingly difficult to enforce it, but it will be ten times more difficult to detect cases of fraud when slaughtered goods are invoiced at the regular market price. This will give the dishonest importer an extraordinary advantage over the honest importer. Take a case for example. A Canadian buys in the United States an article the fair market value of which in that country is \$100, the duty being 30 per cent. The manufacturer invoices it at \$100, but by private understanding allows a discount of 30 per cent. when payment is made. The importer pays:

To the manufacturer in the States.	\$ 70
Duty on valuation of \$100	30
Total	\$100

In cases where the duty is less than 30 per cent. the temptation to make a false invoice would be still greater.

There are certain articles the value of which can always be readily ascertained, and the Canadian manufacturers

of such articles will derive some benefit from the Dumping Clause, although it will not afford such effective protection as a system of adequate specific duties applicable at all times would do. But there are a great variety of small wares the market prices of which cannot be easily determined. Prices are continually fluctuating, and it will be exceedingly difficult for customs officers to determine the exact value from time to time in the country of production. There are a great number of Canadian ports of entry, and it is absolutely certain that the valuation of goods at different customs houses will often vary greatly. Mr. Fielding in his first budget speech said that "eternal vigilance" would be the price Canadian manufacturers would have to pay for protection, and there is no doubt that "eternal vigilance" will be required to secure even a moderately successful administration of this law.

THE TINKERING OF THE DUMPING CLAUSE

Since its first-introduction a number of changes have been made in the dumping clause which make it less valuable

to Canadian manufacturers in general and more inconvenient for Canadian merchants. In all the history of tariff legislation it is doubtful if any measure was ever subjected to so much tinkering in so short a period. If the session of Parliament had lasted a month longer the clause would probably have been still further amended. In its original form the Dumping Clause possessed considerable merit, but even before it was introduced to Parliament by the Minister of Finance it was mutilated by the provision that no matter how great the cut in price the extra duty shall in no case exceed one-half the regular duty, except in the case of certain iron and steel articles, on some of which there is no duty at all, and on others very low duties, and in the case of these the dumping duty shall not exceed 15 per cent.

The next change made in the clause was an amendment authorizing the Minister of Customs to make regulations providing for "the temporary exemption from special duty of any article or class of articles when it is established

THE NEW WATCHDOG—No. 3



Sir Wilfrid.—The watchdog looks less ferocious since you pulled out his teeth, but some of our timid freetrade friends are still afraid of him.

Mr. Fielding.—I have tied him up with an amendment chain. (See page 18).

to the satisfaction of the Minister of Customs that such articles are not made in Canada in substantial quantities and offered for sale to all purchasers on equal terms."

This gives the Minister of Customs an extraordinary power of discrimination against small industries. Some of the most successful manufacturers in the world started business on a small scale with very little capital. They did not at the outset manufacture in substantial quantities, but they gradually increased their output until immense quantities of goods were made in their factories. The little industries that gradually grow into big ones are often of more value to a country than those that grow up like mushrooms. Yet these little industries are the ones that most need protection against dumping, for they can be most easily exterminated at the start by unfair foreign competition.

It is true that the small manufacturers do not often contribute to the campaign fund of either political party, and the big ones sometimes do, but this is no reason why Parliament should author-

ize the Minister of Customs to discriminate against the small manufacturers.

However, the small industries are not the only ones affected by this amendment to the dumping clause. Mr. Fielding explained in the House of Commons, on June 28, that this amendment would enable the Minister of Customs to suspend the dumping clause in case of a strike which would stop the manufacture of an article in the country. This is a most dangerous provision. It might cause foreign manufacturers or foreign workmen to incite strikes in Canada, and it will certainly tend to set the minds of workingmen against the protection which is as necessary for them as for their employers. The exercise of this power by the Minister of Customs would be most injurious to Canadian workmen. While employers and workmen were disputing, the agents of foreign manufacturers would be taking orders, and the result would be that, the employers having few orders to fill, the strike would be turned into a lock-out. It is a well-known fact that strikes are rarely successful when orders

are slack. Manufacturers are much more ready to yield to the demands of their employees when business is good, and consequently while the withdrawal of protection would cripple the manufacturer, it would not in any way benefit his employees; but the workingmen would not always realize this, and consequently they might demand the suspension of the dumping clause in the hope of coercing their employers.

In the closing days of the session Mr. Fielding introduced an amendment providing that the Minister of Customs may make regulations exempting from the special duty "any article whereon the duty in schedule A is equal to fifty per cent. ad valorem or upwards, or where the difference between the fair market value of the goods and the selling price thereof to the importer, as aforesaid, amounts only to a small percentage of their fair market value."

The rule that the dumping clause shall not apply in cases where the regular duty is equal to fifty per cent. is equivalent to a declaration on the part of the Government that when the regular duty

is adequate, no dumping clause is required. It may be asked why the Government gives some industries protection so high that no special provision for dumping is required, while refusing other industries the same degree of protection. What reason can be given for such discrimination?

What is a small percentage? Since the prorogation of Parliament the Minister of Customs has issued a regulation providing that the exemption shall apply in any case where the difference between the fair market value and the selling price of the goods to Canadians does not exceed five per cent. This will probably be the permanent Government definition of a small percentage, but the Minister of Customs has power to change it at any time if he considers it advisable to do so.

All these changes add to the uncertainty and instability of the tariff, make it more difficult for customs officials to administer it, increase the danger of different taxes being imposed at different customs houses, and place honest merchants at a great disadvantage in competing with dishonest ones.

THE EXEMPTION OF FIVE PER CENT.

According to the regulations of the Customs Department, when the difference between the fair market price of goods in the country where they are produced, and the selling price thereof to the importer does not exceed five per cent., the imports shall be exempt from the dumping tax. Will anyone pretend that the officials at the five hundred customs offices of Canada will all agree so exactly on valuation as to distinguish between a cut of five per cent. and one of six per cent.? The valuation is certain to often vary at different customs offices to a greater extent than one per cent. Two rival merchants, A. and B., buy goods from the same company in the United States, agreeing to pay the same price. A. enters his goods at one customs house where the official decides that there has been a cut of seven per cent. B. enters at another customs house where it is decided that the cut is only five per cent. A. has to pay an extra tax of seven per cent., while B. pays no extra tax. In this case the dif-

ference in valuation would only be a matter of two per cent., but it would give one merchant an advantage of seven per cent. over the other. Commonly the difference in valuation at different customs houses would be much greater.

AN INVITATION TO CUT A LITTLE

The practical effect of the customs' regulation that when the difference between the fair market value of the goods in the country of production and the selling price thereof to the importer amounts to not more than five per cent. the special dumping duty shall not be imposed, will be to encourage foreign manufacturers to cut the price to that extent. Even in cases where such a cut would not ordinarily be made under the old system the importer will ask for it, and it will become the common practice at all times for foreign manufacturers to give Canadian importers a discount of at least five per cent. The effect of this will be much the same as if the ordinary tariff were cut down five per

cent: In other words, in adopting a clause which was intended to afford extra protection to Canadian manufacturers, Parliament has practically reduced the protection in many cases by five per cent. Five per cent. may seem a very small matter, but to struggling Canadian industries which barely managed to exist under the low tariff that has been in force for some years, this concession to the importers may make the difference between life and death.

PENALIZING CHEAPNESS

Under a system of specific duties manufacturers can be given adequate protection without penalizing cheapness. Specific protection in no way discourages competition within the country. But with the dumping law in force, if a merchant cuts prices below his competitors, he will be suspected of having dishonestly evaded the law in some one of the many ways in which it is possible to evade it. The natural tendency will be to prevent that legitimate competition which is the mother of cheapness. Protectionists have always contended

that when duties are high enough to afford adequate protection, home competition will reduce the price to consumers, and if the foreign manufacturer wishes to share the trade he must pay the duties or make a reduction in price, which is equivalent to paying the duties, and that thus the consumer is benefited. In adopting the dumping law the Government admits the correctness of this contention, but provides for a fine of one-half the regular duties in case the foreign manufacturer pays more than a small percentage of the duties.

NOT A DUMPING YEAR

The fiscal year ending June 30, 1902, was not a dumping time. In Britain, Germany and the United States there was unprecedented prosperity, and the manufacturers of the United States could sell everything they produced in their home market at good prices. There was no temptation to dump goods in Canada at slaughter prices, and except in a few lines there was very little slaughtering that year. Nevertheless,

the Trade and Navigation Reports for the fiscal year 1902 show that Canadians bought from the United States merchandise to the value of \$114,743,944, and sold to the United States merchandise valued at \$46,907,299 excluding gold-bearing quartz, gold nuggets, gold dust and silver contained in ore, concentrates, etc. It is evident that something more than an antidote for dumping is necessary to put trade between Canada and the United States on a fair basis.

DO FREE TRADE COUNTRIES DUMP?

Mr. Fielding believes that there is no danger of dumping except from high tariff countries. He said in his budget speech:

"In low tariff countries or in free trade countries, Great Britain, for example, these distributing conditions seldom exist. England conducts her business generally upon rational lines. She sells at a profit, and what is known as the system of dumping or slaughtering is hardly known in connection with British trade."

Anyone who has studied the history of United States tariff legislation during the past fifty years, and read the discussions in Congress, must be aware that the manufacturers of free trade England have often slaughtered goods in the United States for the purpose of crushing out competition. Dumping is not a new thing under the sun, although the name is new. Some years ago a British Parliamentary Commission made a report on industrial matters which contained the following statement:

"The laboring classes generally in the manufacturing districts of this country, and especially in the iron and coal districts, are very little aware of the extent to which they are often indebted for their being employed at all to the *immense losses which their employers voluntarily incur in bad times in order to destroy foreign competition and to gain and keep possession of foreign markets . . .* The large capitals of this country are the *great instruments of warfare* against the competing capital of foreign countries."

Is not this exactly what Mr. Fielding describes as "dumping?" It has already been pointed out that the manager of

the Barrow Steel Company stated in evidence before the British Royal Commission on Trade Depression that in one year, 1884, his company had indirectly paid £160,000, or about three-quarters of a million dollars, in duties to the United States Government, as they had cut prices to that extent in order to offset the duties, and out of 531 replies to a circular asking British exporters who paid the duties on articles exported to the United States, 530 said they cut prices in order to get into the United States, and so practically paid the duties in whole or in part.

A SURRENDER OF PARLIAMENTARY POWERS

In the United States and the United Kingdom the tariff is made by Congress or Parliament, and can only be altered by Congress or Parliament. The Government of the country is entrusted with the administration of the tariff, but it has no power to alter the tariff. This was formerly the custom of Canada also, but in recent years Parliament has to

some extent delegated its tariff-making authority to the Government. The first move in this direction was the law which authorized the Government to impose an export duty on unrefined nickel. Parliament instead of enacting that such a tax should be imposed immediately merely gave the Government permission to impose it. It was fully expected at the time that the duty would be levied unless the Government received assurances from the United States capitalists who owned the Canadian nickel mines that refining works would be established in Canada. But no action was ever taken in the matter, although some of the members of the Government paid a visit to the works in New Jersey where the Canadian nickel is refined. Parliament next gave the Government power to abolish or lower the customs duty on any article when satisfied that the price was unduly raised by trusts or combines. This power was exercised in the case of the duty on paper. During the session of 1903 the Government was authorized to place a duty on steel rails in case the Governor-in-Council should

decide at any time that rails are being made in Canada in sufficient quantities to supply the ordinary requirements of the market. This duty was imposed in 1904 after the adjournment of Parliament. After passing the dumping law during the session of 1904 Parliament specially authorized the Minister of Customs to suspend the law at any time in reference to any article which he thinks is not made in Canada in substantial quantities and offered for sale to all purchasers on equal terms.

Parliament appears to be gradually delegating its tariff-making powers to the Government. Each session some new power is given to Ministers to alter the tariff between sessions as they may think right.

This is a remarkable departure from democratic principles as established by long usage in the great English-speaking nations.

We do not mean to imply that the present Government has asked for these powers with any evil intention, but unscrupulous politicians might use them to punish enemies and reward friends.

Canadian manufacturers could be forced to contribute to the campaign funds of the party in power, or contributions might be accepted from foreign manufacturers. The members of a Government having such extraordinary powers will very often need to pray—"Lead us not into temptation."

THE PRINCIPLE OF THE PREFERENCE ALTERED

THE increase in the woollen duties will help the Canadian mills somewhat in their fight for existence, but it is not sufficient to afford adequate protection. The change needlessly strikes a blow at the principle of the British preference. It would have been better to have raised the general tariff on woollens so that when the British preference was allowed, the minimum tariff would afford adequate protection to the Canadian mills. Even the *Toronto Globe* expected that the general tariff on woollens would be increased in this way, but instead of doing this Mr. Fielding left the tariff against foreign countries as it was and

merely reduced the British preference. The same plan was adopted as regards twine and cordage. On the other hand, the British preference on tableware of china, porcelain and other clay and window glass was greatly increased without increasing the general tariff.

The change is to be regretted because the adoption of this principle will make it more difficult to secure a preference for Canadian farm products without sacrificing a number of Canadian industries. The danger is that many small industries not yet sufficiently developed to exert much influence at Ottawa may be sacrificed if the principle of discriminating against certain industries in making the preferential tariff becomes the established policy of Canada. There was an opportunity in this readjustment of duties for Mr. Fielding to try his proposed plan for a maximum tariff against high tariff foreign countries, a minimum tariff against low tariff foreign countries, and then below that the British preferential tariff, but he carefully avoided doing so. The principle he adopted was to almost completely

abolish the preference in some cases and greatly increase it in others. If this plan of preference is to prevail in future it will mean that in order to give British manufacturers any preference over foreigners we must completely sacrifice certain industries, or at least abandon all hope of establishing by protection many industries for which Canada is naturally well adapted.

A small preference to all British imports would be more acceptable to the British people in general than a big preference to a few British industries, and it would not require the sacrifice of any Canadian industry.

THE PROMISED TARIFF REVISION

It has been a matter of comment that the newspapers did not publish so many interviews about the budget this year as they usually do. This was due not to any lack of enterprise on the part of the newspapers, but to the fact that manufacturers and business men in general did not care to be interviewed because they were not at all sure what

the present changes meant or what the Government proposed to do in the future. Mr. Fielding's speech was distinctly protectionist in tone and might be interpreted to mean that the Government intended at an early date to revise the tariff, giving much higher protection than at present against high tariff countries like the United States, while maintaining against low tariff foreign countries a minimum tariff approximating to the present general tariff, and still giving a preference to British goods over foreign goods. This would mean, of course, that Canada would have higher protection than it has ever yet had under any Government. However, Mr. Fielding qualified his statement in such a way that it might be interpreted to mean that the minimum tariff against low tariff, foreign countries would be lower than the present general tariff, and that the maximum tariff would not be high. Sir Wilfrid Laurier who spoke some days afterward made an anti-protection speech. He supported, of course, the dumping clause, but he was very skeptical about any

advantages being derived from a protective policy, and the whole tendency of his remarks was to prejudice the minds of his followers against any general increase in duties. He intimated that protection was of little advantage to the working classes. He alleged that the United States was in a deplorable condition as the result of high protection, and he tried to show that the fact that in our commerce with the United States the balance of trade is very much against Canada is no proof that our trade relations are unsatisfactory. Now if the Government really intends to raise the general tariff against the United States in the near future it is strange that the Premier thus tries to prejudice the minds of his followers against such a policy.

Mr. Fielding, while intimating that a general tariff revision was contemplated along certain lines, did not say when it would be undertaken. However, he thought it would take place at an early date. "I would say, hopefully, next session, but at all events, as soon as a

proper enquiry can be made," he remarked. This is not very definite. He is not sure that the tariff will be revised next session. We may have to wait two years. In the meantime many Canadian industries will suffer for lack of adequate protection, and millions of dollars of Canadian capital may be lost. But Sir Wilfrid Laurier is still more uncertain. Speaking a week later than Mr. Fielding, he said: "This is not, as has been stated, a regular revision of the tariff. *That may come or it may not come*; it will depend upon circumstances."

When we look to the Liberal newspapers for an interpretation of the Government's intentions we find an even greater divergence than there is between the speeches of the Prime Minister and the Minister of Finance. It is no wonder, therefore, that Liberal canvassers in districts supposed to favor free trade or a low tariff are telling electors that if there is any revision at all it will be in the direction of reduced protection, while in manufacturing districts increased protection is promised.

If the revision of the tariff is undertaken along the lines proposed by Mr. Fielding there will not be a fixed rate of preference for British goods, as under the system which has been in force for some years, but each item will be decided upon its own merits, and it may be assumed that in arranging a maximum and minimum tariff against foreign countries the same rule will apply. There may be some advantages in such a flexible arrangement, but on the other hand, there is danger of discrimination against certain industries. Moreover, the administration not in sympathy with the principle of protection and in favor of reciprocity with the United States might under such a system almost completely emasculate the British preference if the United States Government offered a measure of reciprocity. The Republican party of the United States in convention at Chicago has endorsed the principle of reciprocity. The sentiment in favor of reciprocity with Canada is steadily growing in the United States, and the adoption by the Canadian Parliament of a maximum and minimum tariff, such as

proposed by Mr. Fielding, might cause the United States Congress to pass reciprocity legislation almost immediately. This would be very satisfactory to those Canadians who believe that reciprocity with the United States should be the goal of our ambition, but one of the tariff resolutions adopted at the annual meeting of the Canadian Manufacturers' Association in Halifax, and emphatically re-affirmed at the last annual meeting, was as follows:

"That we are strongly opposed to any reciprocity treaty with the United States affecting the manufacturing industries of Canada."

Mr. Fielding's proposal for tariff revision is based on the principle of retaliation. Such a tariff would be essentially unstable, as it would change automatically, responding to the tariff legislation of foreign countries. No one could tell what our tariff might be the day after to-morrow, and such uncertainty would not encourage the establishment of new industries or the extension of old ones. Retaliation is justifiable and wise when a foreign nation treats us worse than it treats other nations,

but our tariff should be so adjusted that it would afford adequate protection to all Canadian industries irrespective of the action of foreign legislatures.

THE DUTY ON RAILS

The Government deserves hearty commendation for putting into force the duty on steel rails. It has commonly been assumed that the general duty is to be seven dollars per ton of 2,240 lbs. as the commercial ton, on which the price of rails is always based, is 2,240 lbs., but the duty is actually seven dollars per ton of 2,000 lbs., that is \$7.84 per ton of 2,240 lbs. The German surtax will make the duty on German rails \$10.45 $\frac{1}{3}$ per ton. On the other hand, the British rail makers will enjoy a preference of 33 $\frac{1}{3}$ per cent., so that the ordinary duty on British rails will be \$5.22 $\frac{2}{3}$ per ton. This is one of the few cases in which the dumping clause may prove a really effective measure, for there will be little difficulty in determining the market price of rails in the country where they are produced. In

case of dumping the ordinary duties may be increased one-half, that is, the general duty of \$7.84 per ton may be increased to \$11.76 per ton and the duty on British rails to \$7.84 per ton. If the general duty were \$11.76 per ton instead of \$7.84 there would be no need of a special dumping duty. The British preference of $33\frac{1}{3}$ per cent would then make the minimum duty on rails \$7.84 per ton at all times. No one familiar with the history of the development of steel manufactures in the United States can doubt the necessity of adequate protection against British rail manufactures. It was only by means of high protection that a rail industry was established in the United States. The United States tariff on steel rails from 1867 to the present time has been as follows:

Years	U.S. Duty per ton
1867 to 1870	45 per cent.
Jan. 1, 1871 to Aug. 1, 1872...	\$28 00
Aug. 1, 1872 to March 3, 1875..	25 20
March 3, 1875 to July 1, 1883..	28 00
July 1, 1883 to Oct. 6, 1890....	17 00
Oct. 6, 1890 to Aug. 28, 1894..	13 44
Since Aug. 28, 1894	7 84

Compared with the protection given to the United States steel rail industry in its early stages the protection now granted to the Canadian industry is trifling. Even as late as August, 1894, the United States duty was almost twice as great as the present Canadian duty. Now the United States duty is \$7.84 per ton, the same as the general Canadian duty, but $33\frac{1}{3}$ per cent. greater than the minimum Canadian duty. The industry is so well established in the United States that it does not require such high protection as it did in the early stages.

The United States Congress in order to build up a great rail industry not only imposed high protective duties on imported rails, but stipulated that all railways receiving Government aid should use rails made in the United States.

While a straight specific duty of \$11.76 per ton on foreign rails and \$7.84 per ton on British rails would be much better for Canada than the measure adopted by the Dominion Government, there can be no doubt that the

protection given will be of considerable value to both the Dominion Iron and Steel Company and the company at Sault Ste. Marie. The latter company is already making rails, having a capacity of 500 tons per day, while the mill of the Dominion Iron and Steel Co. at Sydney, C.B., will have a capacity of 1,000 tons per day when completed. Even if the mills at Sydney and the Soo are only worked at half capacity they will together produce over 273,000 tons of rails annually. There is, therefore, no need for Canadian railway companies to buy rails abroad, and the protection should be made high enough to prevent them doing so.

SIR WILFRID'S SKEPTICISM

"When I am told that we should increase the duty with a vague expectation that by so doing we shall found an industry and build it up, I am always more or less skeptical.—Sir Wilfrid Laurier in the House of Commons, June 14.

When Mr. McKinley talked of establishing a tin plate industry in the United States by increasing the duty, his opponents said that it would be foolish to

increase the duty with a vague expectation of founding an industry. They declared that there was already a moderate protective duty on tin plates, and had been for years, yet not a single pound of tin plates was manufactured in the country. They argued that it was absurd to expect that a high protective tariff would accomplish what a low protective tariff had failed to bring about. But Mr. McKinley succeeded in getting the duty on tin plates doubled, and what was the result? The duty went into force July 1, 1891. The following table shows how the home production increased while the imports decreased as a result of the increased duty:

Year	Imports gross tons	Home Production gross tons
1890.....	329,435	none
1891.....	327,882	999
1892.....	268,472	18,803
1893.....	253,155	55,182
1894.....	215,068	74,260
1895.....	219,545	113,666
1896.....	119,171	160,362
1897.....	83,851	256,598
1898.....	66,775	326,915
1899.....	58,915	397,767

And the consumers in the United States did not pay any more for tin plates than they did the year before the tariff was increased.

A NECESSARY REGULATION

It has been pointed out that since its first introduction a number of changes have been made in the Dumping Clause of the Tariff Act, which make it less valuable to Canadian manufacturers in general and more inconvenient for Canadian merchants. It should be noted, however, that the Government have wisely accepted a suggestion made by the Executive Council of the Canadian Manufacturers' Association with reference to the administration of the Act. On June 16, 1904, the Executive Council of the Association passed a number of resolutions regarding the Dumping Clause, one of which was as follows:

"The Association is of the opinion that if this regulation is to be operated with any chance of success, the exporters in foreign countries who send goods to Canada should be required to accompany each invoice of such exports with a declaration stating not only that the prices named in the invoice are the

ordinary credit prices in the manufacturers' market, but that no arrangement for rebate, reduction or compensation has been or is being made with the importing firm directly or indirectly."

The Government has adopted this proposal and a regulation to this effect has been issued by the Customs department. The regulation is said to have caused much annoyance to British exporters, who claim that it is impossible to always accurately state the current price in the British market in view of continual fluctuations. But if it is difficult for the British exporter to state the current price in his own market of the goods he exports, how much more difficult it would be for the Customs officials at the five hundred ports of entry in Canada to determine the exact price in the markets of far-away countries. The regulation will undoubtedly be of great assistance to Canadian Customs officials, but it will not relieve them of responsibility. Honest British or foreign exporters may unintentionally make mistakes and dishonest ones may do so designedly. Two exporters of the same class of articles may value them differ-

ently. The Canadian Customs officials will require to have an extraordinary knowledge of prices. They will be assisted, it is true, by the advice of experts in the leading markets of the world, but many mistakes are certain to be made. All this trouble and uncertainty could be avoided by imposing specific duties high enough to afford adequate protection to all Canadian industries.

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